90-1862

Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

EDAP, S.A.,

Petitioner,

vs.

RICHARD WOLF GmbH and RICHARD WOLF MEDICAL INSTRUMENTS CORP.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

A. SIDNEY KATZ
Counsel of Record
JEROLD B. SCHNAYER
SUZANNE HINES
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner

Midwest Law Printing Co., Chicago 60611, (312) 321-0220

QUESTION PRESENTED

1. Whether the Court of Appeals for the Federal Circuit erred in affirming the decision of the district court, where the decision of the district court was contrary to the important public policies underlying the Federal Rules of Civil Procedure and the United States patent laws, as well as in conflict with the law of this Court and the Seventh Circuit, in that the district court denied petitioner EDAP's motion to amend a protective order in previously-settled Illinois litigation to obtain the use of relevant, non-privileged documents, originally produced by respondent in the Illinois litigation, in collateral litigation in California under a protective order in that case, despite the facts that:

(a) the United States patent in suit is the same in both actions;

(b) the documents at issue are directly relevant to the validity of the patent in suit; and

(c) the documents at issue are otherwise unattainable, since respondents intend to destroy them or to return them to their offices in Germany when EDAP's appeal in this matter is concluded and respondents are not otherwise restrained from doing so.

PARTIES

The parties named in the caption are the only parties to this action.

Appellant EDAP S.A., Inc. is a French entity located at Parc aux Vignes, 77183 Croissy-Beaubourg (Marne-la-Valleé) France. Its wholly-owned subsidiary EDAP U.S. is located in Westford, Massachusetts. Respondent, Richard Wolf GmbH is a German entity located in Knittlingen, Germany, and its wholly-owned subsidiary, respondent Richard Wolf Medical Instruments Corp., is a Delaware corporation, having its principal place of business in Rosemont, Illinois.

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On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioner respectfully prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit (hereinafter sometimes "Federal Circuit") in its cause No. 90-1460. The judgment was made and entered on February 6, 1991. Petitioner timely requested rehearing and rehearing was denied on March 4, 1991. Petitioner's timely suggestion for rehearing *in banc* was denied on March 18, 1991.

OPINIONS BELOW

The Federal Circuit affirmed the decision of the district court without opinion. Its judgment is reprinted in the Appendix to this Petition commencing at page A1. The district court's opinion is reported at 131 F.R.D. 545 (N.D.

Ill. 1990) and is reprinted in the Appendix to this Petition commencing at page A3. The decision of the Magistrate is unreported and is reprinted in the Appendix to this Petition commencing at page A7.

JURISDICTION

The judgment of the Federal Circuit was made and entered in this action on February 6, 1991. Rehearing was denied on March 4, 1991. This Court has jurisdiction pursuant to 28 U.S.C. §1254(1).

THE CONSTITUTIONAL PROVISIONS, STATUTES AND RULES INVOLVED

U.S. Constitution, Article I, Section 8, Clause 8

The Congress shall have the power . . . to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

Rule 1, Federal Rules of Civil Procedure

These rules govern the procedure in the United States district courts in all suits of a civil nature whether cognizable as cases at law or in equity or in admiralty, with the exceptions stated in Rule 81. They shall be construed to secure the just, speedy, and inexpensive determination of every action.

STATEMENT OF THE CASE

Introduction

This case involves the important public policies underlying discovery practice under the Federal Rules of Civil Procedure and the United States patent laws. The Court of Appeals for the Federal Circuit erred as a matter

of law in denying petitioner EDAP, S.A. (hereinafter "EDAP") the use of non-privileged documents that are directly relevant to the central issue in patent infringement litigation presently pending in California, *i.e.*, the validity of the EDAP patent in suit. The decision of the Federal Circuit was contrary to well-established public policies favoring full discovery of relevant evidence generally and of evidence relating to patent validity specifically. The Federal Circuit's decision was also contrary to the important public policies underlying the United States patent laws.

The District Court Case

EDAP sought to modify a protective order to allow disclosure of documents produced to EDAP in previously-settled Illinois litigation in collateral litigation in California, subject to a protective order in the California case. The collateral litigation (entitled *EDAP v. Diasonics, Inc.*, No. C-89-1816-WHO) is pending in the District Court for the Northern District of California. Both the earlier Illinois action and the current suit in California are patent infringement actions involving the same EDAP United States patent for an ultrasonic extracorporeal lithotriptor.[1] The materials at issue were produced to EDAP by respondents Richard Wolf Medical Instruments Corp. and Richard Wolf GmbH (hereinafter "Wolf"), a German manufacturer of ultrasonic extracorporeal lithotriptors and its

[1] An ultrasonic extracorporeal lithotriptor is a non-invasive device for the virtually painless destruction of kidney and biliary concretions (i.e., "stones") within the human body using ultrasound. During the litigation referred to herein and continuing to the present time, such devices have been undergoing testing by the Federal Drug Administration to obtain approval for marketing in the United States.

United States marketing subsidiary, who were plaintiffs in the Illinois case. The materials consist principally of Wolf documents originating in Germany and transcripts of the depositions of various officers, agents and employees of Wolf, who reside in Germany. The documents were produced by Wolf under a protective order in the Illinois case, and they are responsive to a document request to EDAP from the defendant in the California action, Diasonics, Inc. (hereinafter "Diasonics"), a United States manufacturer of ultrasonic extracorporeal lithotriptors. Wolf is not a party to the California case.

EDAP and Diasonics jointly moved the Illinois court to amend the protective order in the Illinois case to allow disclosure of the Wolf documents in the California action subject to a protective order in the California action. The magistrate recommended denial of the motion and the district court denied EDAP's objections to the magistrate's report and recommendation. The Court of Appeals for the Federal Circuit affirmed the decision of the district court without opinion.

BACKGROUND FACTS

Wolf initiated the Illinois action in 1987 by filing a complaint in the Northern District of Illinois seeking a declaratory judgment that EDAP's United States patent for its extracorporeal lithotriptor was invalid. EDAP and its then co-defendant Jacques Dory, a French citizen who invented EDAP's lithotriptor, filed an answer and counterclaim charging Wolf with infringement of the patent. By motion of the parties, an Amended Protective Order (hereinafter "the Protective Order") was entered in the Illinois action in April of 1988. The Protective Order allowed the parties to designate their respective sensitive technical and financial documents as "confidential" or "sensitive

confidential." Documents so designated could only be disclosed to certain individuals specified in the Protective Order.

Eight months later in December 1988, EDAP filed a California action charging Diasonics with infringement of the same patent, based on Diasonics's manufacture and sale of ultrasonic extracorporeal lithotriptors in the United States. In its answer and counterclaim, Diasonics, like Wolf, challenged the validity of the EDAP patent on the purported basis of obviousness.

Also in December 1988, EDAP received a discovery request from Diasonics for the documents produced by EDAP and Wolf in the Illinois lawsuit. At that time, EDAP responded to Diasonics's request by objecting to production of Wolf's documents on the basis that they were subject to the Protective Order in the then-pending Illinois action. For approximately eleven months, virtually no discovery went forward in the California case, until the California Court entered a protective order on November 7, 1989.

In the meanwhile in October of 1989, Wolf and EDAP negotiated a settlement of the Illinois action. The Final Judgment on Consent was entered on October 12, 1989, and the parties signed settlement and license agreements dated October 30, 1989. The Protective Order in the Illinois case contained a standard provision that once the case was terminated each party's confidential document discovery should be returned or destroyed within 30 days. Although the case was settled, the Illinois court retained jurisdiction over matters arising from the Protective Order.

According to the declarations of Edwin H. Taylor, Esq., and David R. Halvorson, Esq., who are members of the California bar and attorneys with the law firm of Blakely,

Sokoloff, Taylor & Zafman, counsel for Diasonics, Mr. Taylor, spoke to Wolf's attorney, William Schwarze, by telephone in October of 1989, when "the Chicago Lawsuit was close to settling or in the process of settling." Mr. Schwarze was informed by Mr. Taylor "that Diasonics had served document requests on EDAP for Wolf documents relating to the Chicago Lawsuit and requested that Wolf provide its documents concerning the Chicago Lawsuit to our [*i.e.*, Diasonics's law] firm for use in the California Lawsuit." "Mr. Schwarze agreed to maintain the documents from the Chicago Lawsuit for Diasonics's use but requested that we [Diasonics's counsel] first attempt to obtain the documents from EDAP." Finally, "Mr. Schwarze explained that he did not want it to appear that his client, Wolf, was helping Diasonics."[2]

Diasonics continued to press EDAP for the documents. EDAP produced copies to Diasonics of its own documents produced in the Illinois action. On December 29, 1989, counsel for EDAP attempted, without success, to obtain Wolf's consent to the production of Wolf's documents in the California litigation, and on January 22, 1990, EDAP and Diasonics filed a joint motion in the Northern District of Illinois entitled "Defendant EDAP's and Third Party Diasonics's Motion With Respect to Documents Produced Pursuant to Protective Order in This Action and Requested by Diasonics in Related Litigation," seeking permission to produce and use Wolf's materials from the Illinois litigation in the California litigation.

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[2] Although counsel for Wolf filed declarations disputing the declarations of Messrs. Taylor and Halvorson, along with copies of notes regarding the conversation at issue, the notes dated October 6, 1989, (while the Illinois litigation was settling), clearly support Messrs. Taylor and Halvorson's version of the conversation.

In support of the joint motion, Diasonics asserted that it expected the Wolf documents to support its claim that EDAP's patent was invalid because the claimed invention was allegedly obvious. EDAP wished to use the documents to show the opposite, *i.e.*, that Wolf's repeated unsuccessful attempts to create its own extracorporeal lithotriptor prior to learning of EDAP's technology constitute evidence of the "nonobviousness" of the invention and the validity of the patent. In addition, EDAP wished to use certain Wolf documents to refute a claim of collateral estoppel that Diasonics was then attempting to raise in the California law suit.[3]

Wolf opposed EDAP and Diasonics's motion. The motion was heard by the district court on January 25, 1990, and was referred to the magistrate for a report and recommendation. After a hearing before the magistrate and pending resolution of the motion on the parties' memoranda of law, the magistrate ordered EDAP to return to Wolf's counsel all Wolf materials that had been produced under the Protective Order and to prepare a list of documents that EDAP believed it was required by Diasonics's document requests to produce in the California lawsuit.

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[3] At that time, Diasonics had pending in the California case a motion to amend its answer to assert an affirmative defense of collateral estoppel based on a United Kingdom decision in an action between EDAP and Wolf involving EDAP's British version of its European patent. (Which is related to the EDAP United States patent at issue) If Diasonics's motion had been successful, EDAP would have wanted to use certain documents produced by Wolf in Illinois, (but not in the United Kingdom) to refute Diasonics's assertions regarding the United Kingdom decision.

Since that time, however, the California court denied Diasonics's motion to amend, holding that the findings of a tribunal in the United Kingdom could have no effect on United States patent rights.

Accordingly, EDAP returned Wolf's documents and submitted lists to Wolf as required by the magistrate's order. Although many of the documents requested were not confidential, Wolf refused to consent to the disclosure of any of the documents in the California action or to discuss any of the specific documents listed by EDAP.

On April 5, 1990, the magistrate issued a memorandum opinion recommending that EDAP's and Diasonics's motion be denied. The magistrate denied the motion on two bases: (1) that EDAP and Diasonics had failed to make an extraordinary showing of need for Wolf's documents, whereas Wolf would allegedly be prejudiced by their disclosure because of Diasonics's status as a competitor (A12-13); and (2) that EDAP violated the Protective Order by failing to destroy or return Wolf's documents within 30 days of the termination of the Illinois litigation.[4] (A9-10)

EDAP filed objections to the magistrate's report and recommendation on April 14, 1990. In its memorandum in support of its objections EDAP argued, as it had to the magistrate, that it sought to use Wolf's documents to establish the validity of EDAP's patent, and that modification of the Protective Order would not substantially prejudice Wolf. EDAP also asserted that its alleged technical violation of paragraph 14 of the Protective Order did not warrant denial of the motion.

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[4] Wolf itself was delinquent in destroying EDAP's documents in accordance with the 30 day period set forth in the Protective Order, and apparently destroyed its copies of EDAP's documents that were produced under the Protective Order over a period of time extending from late November 1989 to the end of January 1990. EDAP filed its motion to modify the Protective Order, without returning Wolf's documents, because Wolf expressed its intent to destroy them. The district court ordered Wolf to retain the documents (then returned by EDAP's counsel) in the district and not to destroy them.

While its objections were pending, in an effort to resolve the matter without further court intervention, EDAP also offered to limit the documents sought to certain Wolf deposition transcripts and exhibits, if Wolf would agree to their production in the California suit. Wolf would not agree.

On July 3, 1990, the district court denied EDAP's objections without addressing EDAP's arguments regarding EDAP's need for the documents as evidence of patent validity, or the magistrate's bases for denying EDAP's and Diasonics's motion. Instead, the district court held that "[d]espite whatever validity there is to EDAP's criticism of the magistrate's reasons for her decision," (A4) the magistrate reached the "correct result" because EDAP should not be allowed "to defeat Diasonics's defense [of collateral estoppel] by showing that it could have done better in the United Kingdom." (A6)

On appeal to the Federal Circuit, EDAP argued that the district court had erred in failing to consider the relevance of the documents sought to the issue of patent validity in affirming the Magistrate's decision, and that the Magistrate's decision was contrary to the law in the Seventh Circuit. Wolf argued—for the first time—that the decision of the district court was correct because the Magistrate had allegedly found that EDAP had "misled" Wolf into settling the case in the belief its documents would be destroyed.

The Court of Appeals for the Federal Circuit affirmed the decision of the district court on February 6, 1991, without an opinion. (A1)

REASONS FOR GRANTING OF THE WRIT

1. The Decision of the Federal Circuit Conflicts with Important Public Policies Underlying The Federal Rules of Civil Procedure and the Patent Laws

The decision of the Federal Circuit should be reviewed on a writ of certiorari by this Court because it is inconsistent with the important public policies underlying the Federal Rules of Civil Procedure and the patent laws of the United States. The Federal Rules emphasize the "fair, speedy and inexpensive determination of every action," Rule 1, Fed.R.Civ.P., and the goal of the United States patent system is to benefit society by encouraging innovation through the protection of valid patents. By affirming the district court's decision, the Federal Circuit denigrated the importance of determining the validity of United States patents and of expediting federal litigation through full and open discovery of all evidence bearing on that validity determination. As this case now stands, relevant evidence in the possession of respondents will deliberately be destroyed. As a result, its light will never be shed on the validity of EDAP's patent in the collateral litigation pending in California.

A. Policies Underlying Civil Discovery

As this Court stated in *Hickman v. Taylor*, "the Federal Rules of Civil Procedure are designed to enable the parties to discover the true facts and to compel their disclosure *wherever* they may be found. *Hickman v. Taylor*, 329 U.S. 495, 506 (1947) (emphasis added).

The rationale underlying this principle is that:

> The goal of civil discovery is the "[m]utual knowledge of all relevant facts gathered by both parties" to an action. To further this end, the Federal Rules of Civil

> Procedure provide a litigant with broad access to relevant materials in the possession of an opponent. The Federal Rules do not squarely address the specific question of access to discovery fruits produced in an earlier or concurrent action to which one was not or is not a party. Still, the policy considerations underlying the Rules reflect a general consensus as to the optimal functioning of civil litigation. The proper inquiry should follow from the goal of the Rules, "the just, speedy, and inexpensive determination of every action."
>
> Another basic premise of civil procedure is that "discovery must take place in the public unless compelling reasons exist for denying the public access to the proceedings."

Note, *Nonparty Access to Discovery Materials in the Federal Courts*, 94 Harv.L.Rev. 1085, 1085-86 (1981), *citing*, *Hickman v. Taylor*, 329 U.S. 495, 507 (1947); *American Tel. & Tel. Co. v. Grady*, 594 F.2d 594, 596 (7th Cir. 1978) (per curiam), *cert. denied*, 440 U.S. 971 (1979); *accord Olympic Ref. Co. v. Carter*, 332 F.2d 260, 264 (9th Cir. 1964), *cert. denied*, 379 U.S. 900 (1964); *Parsons v. General Motors Corp.*, 85 F.R.D. 724, 726 (N.D. Ga. 1980); *Essen Wire Corp. v. Eastern Elec. Sales Co.*, 48 F.R.D. 308 (E.D. Pa. 1969); Fed.R.Civ.P. 1, 3, 26-37. Thus, once a party has produced documents in an action—in the absence of "compelling reasons"—those documents should also be available for use in collateral litigation, where such use would assist in accomplishing the just and efficient resolution of that later action.

B. Policies Underlying the United States Patent Laws

The United States patent laws are based on Article One, Section Eight of the United States Constitution:

> The Congress shall have the power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries.

United States Constitution, art. I, §8, cl. 8 (1789).

Pursuant to this authority, Congress enacted laws designed to grant, enforce and protect patents, known as Title 35 of the United States Code.

As recognized by this Court:

> The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual property is to "promote the Progress of Science and the useful Arts". The patent laws promote this progress by offering a right of exclusion for a limited period as an incentive to an inventor to risk the often enormous costs in terms of time, research and development. The productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens.

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480 (1974); *See also Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980); *Graham v. John Deere*, 383 U.S. 1, 10-11 (1966); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917).

Thus, one recognized aim of patent protection is to encourage individual invention by benefiting the inventor-patentee. As stated by Professor Irving Kayton:

> "Patents are intensely practical, real-life legal instruments. They are legal mechanisms with which an inventor or a corporation can protect the investment

> in time, money, effort and other resources expended in order to create a new contribution to technology, i.e., to the 'useful arts'. . . Patent law is the legal system designed to provide government sanctioned remedies and means to protect the inventor's rights in his new contribution to society . . ."

KAYTON ON PATENTS, Ch.1, p.1 (2d Ed. 1983).

However, as Professor Kayton recognized, the ultimate goal of the patent laws is the benefit of society. It is well established that the United States patent system is effective in accomplishing this goal. As another commentator has put it:

> Convinced that innovation contributed to the amelioration of society, the enlightened framers of the Constitution enshrined this conviction in that noble instrument, providing an appropriate reward for the followers of their creed, promising that one would not be suffered to reap where he had not sown. They envisioned an aristocracy founded not upon birth or social position, but upon one's own merit. The contributions of authors and inventors were, in their minds, worthy of special recognition.
>
> The founding fathers built better than they knew. Innovation did not fade with the passing of the colonial era. It flourished to an extent that the framers of the Constitution could never have dreamed. America's hospitable climate not only nurtured indigenous inventors, but attracted many from less enlightened lands. Ericsson, Bell, Berliner, Pupin, and Tesla are but a few of the many who sought and found fame and fortune on this fecund soil. Some began inventing only after arriving here. Some had no formal scientific training. For those with imagination and initiative, invention and the patent system have been the epitome of the American dream.
>
> *But the public has reaped the greatest benefits.* Convenience and comforts formerly unavailable even to

> monarchs and millionaires are now accessible to all. Invention has wrought greater, more fundamental, and more enduring social change than have war and revolution. The observation that James Watt made more law than all the judges of England is perhaps an understatement. Nor has our own generation remained immune from patented innovations. The transistor of Shockley, Bardeen, and Brattain not only freed electronics from dependence upon vacuum tubes, but made feasible such exotic things as space travel, satellite communication, and the cardiac pacemaker. The Xerox of Chester Carlson, himself a patent attorney, made copying on ordinary paper a reality. The scope of inventive subject matter is also expanding. Today, efforts are directed not only at producing better mousetraps but, through gene manipulation, better mice as well.

1 ROSENBERG, PATENT LAW FUNDAMENTALS, Preface to Second Edition at vii–viii (1991) (emphasis supplied). Thus, it is beyond dispute that the patent system greatly benefits the public and that, in order to obtain this great benefit,[5] the law grants a patentee certain exclusive rights to his invention for a limited period of time. This includes the patentee's right to prevent others from making, using or selling his patented invention, through patent infringement actions.

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[5] The patented invention at issue here is precisely the sort of beneficial innovation envisioned by the framers of the United States Constitution. It provides a relatively inexpensive and virtually painless procedure for destroying kidney stones, gall stones and other concretions within the body with ultrasonic shock waves. Moreover, the procedure is done on an outpatient basis, without surgery or anesthesia. Thus, individuals suffering from painful kidney stones, for example, need no longer undergo expensive major surgery and an extended hospital stay to obtain the removal of such stones.

The principles underlying the application of the Federal Rules in discovery practice generally are equally applicable to patent litigation. Later in his treatise, Mr. Rosenberg notes specifically the judicial "policy of inquiring fully into [patent] validity during the course of litigation". ROSENBERG, *supra*, §1.03, p.1-10 (1991) (citing, *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945)).

In its opinion in the *Sinclair & Carroll* case, this Court, in fact, not only approved of "inquiring fully into validity during the course of litigation" but also specifically recognized that in patent litigation it is patent validity, and not infringement, that has the "greater public importance". *Id.* Thus, this Court has long acknowledged the public interest in full and free discovery of evidence relating to patent validity in patent infringement litigation.

It is this important public interest that the decision of the Federal Circuit has disserved. The documents denied to EDAP by the Federal Circuit's decision are relevant to the validity of the patent in suit. They show Wolf's very substantial expenditures and unsuccessful initial attempts to duplicate EDAP's patented invention. These documents and deposition transcripts demonstrate that, despite years of development work by a team of experts in the technical and medical fields, it was not until Wolf had access to EDAP's patented extracorporeal lithotriptor that Wolf was able to develop its own extracorporeal lithotriptor.

Such evidence is unquestionably relevant to the validity of petitioner's patent. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). In addition, this Court stated in *Sinclair*, *supra*, that "a long line of cases" had established that an essential requirement of patent validity is:

> that the subject matter display invention, more ingenuity * * * than the work of a mechanic skilled in the art. [Citations omitted] * * * Under this term, some substantial innovation is necessary, an innovation for which society is truly indebted to the efforts of the patentee.

325 U.S. at 330. This is what EDAP seeks to establish with Wolf's documents—that EDAP's extracorporeal lithotriptor constitutes a much needed innovation of such great ingenuity that it could not be accomplished by Wolf's designers, despite their considerable mechanical and medical skill. This evidence must be considered, together with any allegations and/or other evidence offered by Diasonics, in determining whether EDAP's invention was obvious. By denying this evidence to EDAP, the Federal Circuit may have denied EDAP the patent protection necessary to foster innovation and the public good. In addition, the Federal Circuit has set a dangerous precedent by elevating a litigant's self-interest in protecting non-privileged documents over society's interest in the speedy resolution of litigation and the enforcement of valid patent rights.

2. The Decision of the Federal Circuit was Inconsistent With the Law as Expressed by This Court as Well as Contrary to the Law in the Seventh Circuit and Other Circuits

A. The Law of this Court

Although this Court has never before addressed the specific fact situation presented by this petition, this Court has addressed a closely analogous situation—access to documents in a sealed record—in *Ex Parte Uppercu*, 239 U.S. 435 (1915).

> The Supreme Court discussed the standards for granting access to discovery fruits that are part of a sealed record in *Ex parte Uppercu*, a case predating the Federal Rules. The Court was asked to order a lower court to allow access to depositions and exhibits held under seal. The petitioner, now a litigant, was seeking materials from a concluded action in which he had been counsel to one of the parties. Noting that a party's right to materials to be used as evidence in litigation is unrelated to a proprietary interest in the materials, or to any general public right of access, Justice Holmes wrote for the Court that "[t]he necessities of litigation and the requirements of justice found a new right of a wholly different kind. So long as the object physically exists, anyone needing it as evidence at a trial has a right to call for it, unless some exception is shown to the general rule." The Court decided that the lower court's sealing order "should not be construed as affecting those who otherwise had a right to copies of the papers," *i.e.*, litigants. A writ of mandamus was issued.
>
> *Uppercu* establishes that absent a question of privilege a litigant who needs court records that may be of evidentiary value to his case cannot be denied access to them, even though they were sealed by the court in a different proceeding.

Note, *Nonparty Access to Discovery Materials in the Federal Court, supra* at 1092-1093 (citing *Uppercu*, 239 U.S. at 440-41) (emphasis supplied). Applying the rule of this Court as stated in *Uppercu*—that access to unprivileged documents of "evidentiary value" to a pending case must not be denied to a litigant—the Federal Circuit clearly erred in affirming the decision of the district court.

B. The Law in the Seventh Circuit

In addition, the decision of the Federal Circuit was contrary to the law in the Seventh Circuit. In the Seventh Circuit, if the modification of a protective order to allow the production of documents in collateral litigation would prevent repetition of discovery already taken, the order should be modified, unless to do so would substantially prejudice the opponent of the motion. *Wilk v. American Medical Ass'n*, 635 F.2d 1295, 1299 (7th Cir. 1980). Thus, if the documents are relevant to, or even likely to lead to the discovery of admissible evidence in, the California litigation, EDAP should be able to use them unless Wolf would be substantially prejudiced thereby. Here, EDAP has established that use of the materials sought in the California litigation is the only way to obtain this discovery, *see infra*, p. 21, whereas Wolf has failed to establish that EDAP's use of the documents would cause Wolf substantial prejudice. Indeed, Wolf's interests are protected by placing the documents under "ATTORNEYS' EYES ONLY" Protective Orders in both the Illinois and California courts.

The Illinois action was, and the California case is, a patent infringement action in which the validity of EDAP's United States patent for an extracorporeal lithotriptor is the *most important issue. See Sinclair & Carroll*, 325 U.S. at 19. In Illinois, EDAP charged Wolf with infringement of EDAP's patent through the sale of Wolf's lithotriptors in the United States; and in California EDAP charges Diasonics with infringement of the same patent by Diasonics's manufacture and sale in the United States of Diasonics's lithotriptor. In both cases, the accused infringers have claimed that EDAP's patent is invalid because EDAP's invention was allegedly obvious. Because of these overlapping issues, documents produced by Wolf

during discovery in Illinois, as well as the deposition testimony of Wolf's officers, employees and agents, taken in Germany under the Federal Rules of Civil Procedure, are relevant to the California action as evidence of the difficulties and costs encountered by Wolf in developing its lithotriptor.

In fact, Wolf has never seriously disputed the relevance of the documents sought. Rather, Wolf argued in opposition to EDAP's motion that the Protective Order should not be modified to allow the documents to be disclosed to Diasonics, regardless of their relevance, because Wolf and Diasonics are competitors in the United States market for extracorporeal lithotriptors.

In the Seventh Circuit, "where an appropriate modification of a protective order can place private litigants in a position they would otherwise reach only after repetition of another's discovery, such modification can be denied *only* where it would tangibly prejudice substantial rights of the party opposing modification." *Wilk*, 635 F.2d at 1299 (emphasis supplied).

The proper approach to a motion to modify a protective order in the Seventh Circuit is to follow the principles established in *Wilk*. In *Wilk*, a collateral litigant sought modification of a protective order which prohibited it from obtaining discovery materials from an on-going lawsuit. *Id.* at 1296. The intervenor sought materials relevant to its New York case against the same defendants. *Id.* The Court, noting the general proposition that pretrial discovery should take place in public, emphasized that "[t]his presumption should operate with all the more force when litigants seek to use discovery in aid of collateral litigation on similar issues . . . ." *Id.* at 1299.

Based on Rule 1 of the Federal Rules of Civil Procedure, which emphasizes the just, speedy, and inexpensive determination of every action, the Seventh Circuit formulated its reasoning in *Wilk*:

> [w]e therefore agree with the result reached by every other appellate court which has considered the issue, and hold that where an appropriate modification of a protective order can place private litigants in a position they would otherwise reach only after repetition of another's discovery, such modification can be denied only where it would tangibly prejudice substantial rights of the party opposing modification.

Id. at 1299; citing: *Olympic Ref. Co. v. Carter*, 332 F.2d 260, 265-66 (9th Cir. 1964), *cert. denied*, 379 U.S. 900 (1964). The *Wilk* Court also noted the close similarity of the two actions. *Id.* The Court held that the movant was presumptively entitled to access to all of the protected discovery materials, subject to the same limitations of the protective order.

The predicament facing EDAP is analogous to the situation in *Wilk*. Like the intervenor in *Wilk*, EDAP is involved in litigation where, because of the close similarities of the two actions, the discovery materials from another case will aid in the "just, speedy, and inexpensive" resolution of its California lawsuit.

As stated in *Wilk*, although the Federal Rules permit protective orders to be entered in appropriate circumstances, protective orders are contrary to the policies underlying the Federal Rules:

> [a]s a general proposition, pre-trial discovery must take place in the public unless compelling reasons exist for denying the public access. (citations omitted). This presumption should operate with all the more force when litigants seek to use discovery in aid of

> collateral litigation on similar issues, for in addition to the abstract virtues of sunlight as a disinfectant, access in such cases materially eases the tasks of courts and litigants and speeds up what may otherwise be a lengthy process.

635 F.2d at 1299.

Here, it would be virtually impossible to repeat the discovery involved in obtaining the documents in question. Wolf's attorneys claim to have either sent to Germany, or destroyed, all copies of the Wolf documents (including deposition transcripts) that were previously located in the United States, other than the copies of the documents presently at the office of Wolf's Illinois counsel. (which may not be destroyed pursuant to the order of the district court until this matter is finally resolved). Thus, for all practical purposes, the only remaining copies of those documents are those produced to EDAP in the Illinois action.

Even assuming that the original documents are still in existence in Germany, European discovery rules, unlike the Federal Rules of Civil Procedure, do not provide for meaningful document production. Moreover, it would be impossible from a practical standpoint to repeat the depositions of Wolf's witnesses in Germany pursuant to the Hague Conventions, notwithstanding that (in view of the 1991 trial date in the California action) the time required would be prohibitive.

Thus, since Wolf is not a party to the California suit, unless EDAP's motion is granted EDAP will have no meaningful access to the evidence sought here. In view of these facts, according to the rule set forth by the Seventh Circuit in *Wilk*, *supra*, the Amended Protective Order should be modified to allow use of the documents

in the California action, *unless* Wolf would suffer "tangible prejudice to its substantial rights" as a result.

There has been no showing or finding that Wolf would suffer any tangible prejudice. The court found merely that Wolf would be prejudiced by disclosure of its documents because of its status as a competitor of EDAP and Diasonics. However, so long as disclosure to a competitor takes place under an appropriate "ATTORNEYS' EYES ONLY" protective order, this does not constitute tangible prejudice to the disclosing party's substantial rights. *See Olympic*, 332 F.2d at 265-66.

A protective order that is even more restrictive than the protective order in the Illinois action was entered by the California court on November 7, 1989. Under that order, litigation counsel *only* have access to confidential documents. This means that none of Diasonics's or EDAP's in-house or corporate attorneys, officers or employees would have access to Wolf's documents. Thus, Wolf will not suffer tangible prejudice to any substantial rights if its documents are produced in the California case. Moreover, EDAP has suggested that an additional protective order might be entered by the Illinois district court, if Wolf wished, so that Wolf (who is located in Illinois) would not have to apply to the California court to ensure EDAP's compliance.

In her memorandum opinion, the magistrate inexplicably ignored the Seventh Circuit's decision in *Wilk*, although the *Wilk* decision had been relied upon and called to her attention in EDAP's and Diasonics's memoranda. Instead, the magistrate appears to have based her statement that an "extraordinary showing" was necessary on an earlier Seventh Circuit decision which stated that "exceptional circumstances" were necessary to modify a protective

order to allow the use of documents in collateral litigation. *American Tel. & Tel. Co. v. Grady*, 594 F.2d 594 (7th Cir. 1978), *cert. denied*, 440 U.S. 971 (1979). However, in *Wilk*, the Seventh Circuit criticized the earlier *Grady* decision for its statement regarding the need for "exceptional circumstances" in order to obtain modification of a protective order. *Wilk*, 635 F.2d at 1300. As the Seventh Circuit noted, no exceptional circumstances were present in *Grady* and the protective order there was properly modified. *Id.*

The magistrate also relied on two decisions of the Second Circuit that were distinguished in *Wilk*, as applicable only to cases in which the government—and not a private party—seeks modification of a protective order to allow the use of documents in a collateral proceeding. 635 F.2d at 1300; *See*: *GAF Corp. v. Eastman Kodak Co.*, 415 F. Supp. 129 (S.D.N.Y. 1976); *Martindell v. International Tel. and Tel. Corp.*, 594 F.2d 291 (2d Cir. 1979).

When the government—as opposed to a private party—seeks access to protected materials, a court should require a special showing because the government "has awesome powers not lightly to be enhanced" in regards to its investigatory powers. As stated in *Wilk*:

> These cases [*Martindell, GAF Corp.*] are distinguishable in that the party seeking access in them was the federal government, which in each case had at its disposal special investigatory powers not available to private litigants. . . . As the opinions in both cases suggest, the explicit grant of such extensive investigatory powers should be construed to preclude the implication of supplemental powers, absent unusual circumstances. When the investigator is the government, there is also a unique danger of oppression.

635 F.2d at 1300. *Accord, Public Citizen v. Liggett Group, Inc.*, 858 F.2d 775 (1st Cir. 1988), *cert. denied*, 488 U.S. 1030 (1989); *Phillips Petroleum Co. v. Pickens*, 105 F.R.D. 545, 551 (N.D. Tex. 1985) (quoting *Wilk*); *In re "Agent Orange" Product Liability Litigation*, 104 F.R.D. 559 (E.D.N.Y. 1985). Since EDAP does not share the "awesome powers" of the government, it should not be required to establish "unusual circumstances" to obtain the modification of the protective order sought.[6]

In line with this reasoning, the burden is on the party opposing modification of a protective order to show tangible injury to a substantial right. *See, e.g., Kamp Implement Co. v. J.I. Case Co.*, 630 F. Supp. 218 (D. Mont. 1986) (burden on opponent to show it will be harmed by disclosure). Wolf has failed to make such a showing. More-

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[6] Nor is the position favoring modification of protective orders to aid collateral litigation limited to the Seventh Circuit. The following excerpt from the *Harvard Law Review* has been quoted with approval in the Sixth and Second Circuits:

> [g]iven that proceedings should normally take place in public, imposing a good cause requirement on the party seeking modification of a protective order is unwarranted. If access to protected fruits can be granted without harm to legitimate secrecy interests, or if no such interests exist, continued judicial protection cannot be justified. In that case, access should be granted even if the need for the protected materials is minimal. When that is not the case, the court should require the party seeking modification to show why the secrecy interests deserve less protection than they did when the order was granted. Even then, however, the movant should not be saddled with a burden more onerous than explaining why his need for the materials outweighs existing privacy concerns.

Meyer Goldberg, Inc. v. Fisher Foods, Inc., 823 F.2d 159, 163 (6th Cir. 1987) (quoting Note, *Nonparty Access to Discovery Materials in the Federal Courts*, 94 Harv. L. Rev. 1085, 1092 (1981) (court reversed denial of modification)); *In re "Agent Orange" Product Liability Litigation*, 104 F.R.D. 559, 570 (S.D.N.Y. 1985) (court modified protective orders).

over, the magistrate failed to allocate such burden to Wolf. Instead she placed the burden upon EDAP and Diasonics to show some "extraordinary circumstance" justifying modification of the protective order. This was contrary to law.

Wolf argued that because it is a third party to EDAP's litigation with Diasonics a different standard should be applied than that set forth by the Seventh Circuit in *Wilk*. However, that position is not supported by law. In fact, one of the very cases relied upon by Wolf in the district court recognized, citing *Wilk*, that "[t]he Federal Rules create a statutory presumption in favor of open discovery" and that:

> The rules permitting discovery 'often allow extensive intrusion into the affairs of both litigants and third parties.'

Tavoulareas v. Washington Post Co., 111 F.R.D. 653, 660 (D.C. 1986).

Although the court in *Tavoulareas* did not permit modification of the protective order to allow use of third party Mobil's documents, this was because—unlike the instant situation—(1) no collateral litigation existed; and (2) Mobil met its burden of showing "good cause" for the continued maintenance of the protective order. Neither of these factors is present here: (1) EDAP is actively involved in litigation with Diasonics involving the same issues as those raised by Wolf; and (2) Wolf cannot establish "good cause" not to modify the protective order to allow use of certain of its documents in that collateral litigation.

In determining that Mobil had established "good cause" in *Tavoulareas*, the court noted that attorneys for Mobil had reviewed the deposition transcripts whose production was sought on a page-by-page basis, and had supplied one

of four specific grounds for maintaining each one under seal. *See*: 111 F.R.D. at 656. Here, in contrast, although EDAP supplied Wolf with a list of the specific materials sought, Wolf refused to address any document or transcript specifically. Instead, Wolf stated flatly that *none* of its documents should be used because Diasonics is a competitor. Certainly, a general statement such as this does not satisfy the requirement of "good cause."

Nor has any other case found by EDAP, or cited by Wolf, denied the modification of a protective order to obtain documents for use in collateral litigation on the basis that the documents sought were those of a third party to the collateral litigation. Thus, the rule set forth in *Wilk* should apply to Wolf regardless of the fact that Wolf is a third party. This is especially true here, where Wolf cannot, and does not, dispute that its documents are relevant to EDAP's litigation with Diasonics's or that their production in the California action would eliminate the need to repeat time-consuming and expensive discovery in Germany, which for all practical purposes would not result in the same discovery products.

3. The Magistrate Clearly Erred in Finding that EDAP Violated the Amended Protective Order

The magistrate partially based her decision on her finding that EDAP violated the Protective Order through not destroying Wolf's documents by the day specified in paragraph 14 of the Protective Order. EDAP submits that this result is unnecessarily punitive because no substantive provision of the Protective Order was violated, and Wolf was not damaged. Wolf knew that EDAP could not destroy its documents by that date because they were subject to a document request in collateral litigation. Moreover, Wolf itself had not destroyed EDAP's documents

by that date. In short, the parties had a tacit agreement that document destruction need not comply strictly with the time limit in the Protective Order.

Further, although EDAP did not comply literally with the requirement that Wolf's documents be destroyed within 30 days of the resolution of this lawsuit, EDAP did not disclose any Wolf documents to Diasonics or to anyone else. Thus, EDAP's omission was completely harmless to Wolf's substantive rights.

Moreover, EDAP itself brought the situation to the attention of the district court by motion on January 22, 1990, when it had become clear that the matter could not be resolved by agreement. At that time, the district court recognized that in view of Diasonics's outstanding document request in the California action on the one hand and the Amended Protective Order in the Illinois action on the other, EDAP was in the position of "Jason" attempting to sail "between Scylla and Charybdis." Thus, the district court recognized the complexity of the dilemma in which EDAP found itself with regard to Wolf's documents. EDAP's attorneys certainly could not destroy the documents or turn them over to Wolf who had stated they would destroy them. Instead, EDAP's counsel brought the matter to the court for resolution.

Moreover, it appears that at all relevant times Wolf was aware of Diasonics's document request. As was pointed out in the declarations of Diasonics's attorneys Edwin H. Taylor and David R. Halvorson, Mr. Taylor spoke to Wolf's attorney William Schwarze by telephone in October of 1989 when the Illinois action was in the process of settling. Mr. Taylor informed Mr. Schwarze "that Diasonics had served document requests on EDAP for Wolf documents relating to the Chicago lawsuit and requested that Wolf

provide its documents concerning the Chicago lawsuit to our [i.e., Diasonics's law] firm for use in the California lawsuit."—In response, "Mr. Schwarze agreed to maintain the documents from the Chicago lawsuit for Diasonics's use, but requested that [Diasonics] first attempt to obtain the documents from EDAP." Finally, "Mr. Schwarze explained that he did not want it to appear that his client Wolf was helping Diasonics." *Supra*, pp. 5-6.

Thus, the evidence is that at the time this case was settled Wolf's attorneys not only knew that EDAP could not destroy the documents unless Diasonics withdrew its document request, but also actually encouraged Diasonics to continue to seek those documents from EDAP. Accordingly, Wolf was not misled. Rather, all the while Wolf was urging EDAP to destroy its documents, Wolf was well aware of EDAP's obligation not to do so because of Diasonic's document request in the California case.

Finally, Wolf did not sustain any damage, nor did EDAP obtain any benefit as a result of Wolf's destruction of EDAP's documents. Diasonics had already obtained copies of all the EDAP documents destroyed by Wolf directly from EDAP, and none of Wolf's documents were ever disclosed to Diasonics. Thus, there is no need to make Wolf whole nor to punish EDAP by depriving EDAP of the use of relevant evidence in its case against Diasonics. This is particularly true where not just EDAP, but the Court and the deponents involved as well, will be burdened needlessly if EDAP is forced to attempt to repeat discovery already taken in the Illinois action. More importantly, as noted previously, given the realities of the situation there is no real possibility that the discovery sought *can* be repeated.

Thus, EDAP has been wrongfully deprived of the use of relevant, non-privileged evidence, and Wolf's interest in protecting obsolete information from its competitors has been elevated over the just and speedy resolution of the California lawsuit. In addition, the public has been deprived of a determination of the validity of EDAP's patent based on *all* the relevant evidence. EDAP submits that this decision of the Federal Circuit sets a dangerous precedent which threatens EDAP's patent rights and, more importantly, also threatens the well-recognized, important public interests in the efficient and just resolution of legal disputes and the socially beneficial innovations fostered by the United States patent laws.

CONCLUSION AND RELIEF SOUGHT

For the reasons stated herein, EDAP respectfully submits that its Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit should be granted.

Respectfully submitted,

A. SIDNEY KATZ
Counsel of Record
JEROLD B. SCHNAYER
SUZANNE HINES
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner

Dated: May 31, 1991

APPENDIX

[Filed — February 6, 1991]

Note: Pursuant to Fed. Cir. R. 47.8, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1460

RICHARD WOLF MEDICAL INSTRUMENTS CORP. and RICHARD WOLF GmbH,

Plaintiffs-Appellees,

v.

EDAP, S.A.,

Defendant-Appellant.

JUDGMENT

ON APPEAL from the United States District Court for the Northern District of Illinois

in CASE NO(S). 87 C 1254

This CAUSE having been considered, it is ORDERED and ADJUDGED:

PEP CURIAM (ARCHER, MAYER and LOURIE, *Circuit Judges*):
AFFIRMED. Fed. Cir. R. 36

ENTERED BY ORDER OF THE COURT

/s/ FRANCIS X. GINDHART
Francis X. Gindhart, Clerk

DATED FEB 06 1991

[Filed — March 4, 1991]

ORDER

Before ARCHER, Circuit Judge, MAYER, Circuit Judge, LOURIE, Circuit Judge.

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on March 11, 1991.

FOR THE COURT,

Dated March 4, 1991

/s/ FRANCIS X. GINDHART
Clerk

cc: A. SYDNEY KATZ
GREGORY F. HAUSER

WOLF MED INSTR V EDAP S A, 90-1460
(DCT — 87 C 1254)

Note: Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is a public record.

IN THE
UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

RICHARD WOLF MEDICAL INSTRUMENTS CORP., a Delaware corporation; and RICHARD WOLF GmbH, a corporation of the Federal Republic of Germany,	)	
Plaintiffs,	)	
v.	)	87 C 1254
JACQUES DORY and EDAP, S.A., an alien business entity of France,	)	
Defendants.	)	

MEMORANDUM ORDER

Jacques Dory and EDAP, S.A., (referred to collectively as "EDAP"), and intervenor Diasonics, Inc., have moved for modification of the Amended Protective Order entered in this matter on April 5, 1988. While the lawsuit to which EDAP was a party before this court thankfully settled in October 1989, the protective order is still in effect. EDAP also remains involved in a lawsuit against Diasonics in the federal court for the Northern District of California. EDAP wishes to produce discovery materials obtained from Richard Wolf Medical Instruments Corp. and Richard Wolf, GmbH, (referred to collectively as "Wolf") during the parties' dispute here to Diasonics in the California lawsuit. EDAP may not do this without violating the protective order; hence, EDAP and Diasonics's motion.

The court designated Magistrate Elaine E. Bucklo to hear and determine this motion pursuant to 28 U.S.C. § 636(b)(1)(A) (1982). The magistrate denied the motion on April 5, 1990. EDAP has moved for reconsideration under *id.*, which provides in pertinent part: "A judge of the court may reconsider any pretrial matter under this subparagraph (A) where it has been shown that the magistrate's order is clearly erroneous or contrary to law." See also Rule 72(a), Fed.R.Civ.Pro. ("The district judge to whom the case is assigned shall consider objections made by the parties, provided they are served and filed within 10 days after the entry of the order, and shall modify or set aside any portion of the magistrate's order found to be clearly erroneous or contrary to law.").

The court must deny EDAP's motion to reconsider. Despite whatever validity there is to EDAP's criticism of the magistrate's reasons for her decision, the statute and the rule direct this court's attention not to the reasons for the magistrate's decision, but to her final result: was she correct to deny the motion? Additionally, because Diasonics has not objected to the magistrate's order under Rule 72(a), and because EDAP has no standing to speak for Diasonics, this court's inquiry is even narrower: was the magistrate correct to deny that portion of the motion relating to EDAP? See *Video Views, Inc. v. Studio 21, Ltd.*, 797 F.2d 538, 539 (7th Cir. 1986) (failure to object to magistrate's decision under 28 U.S.C. § 636(b)(1) waives the right to appeal); *Provident Bank v. Manor Steel Corp.*, 882 F.2d 258, 260-61 (7th Cir. 1989) (same).

EDAP's motion ambiguously requests permission to "use and produce" the Wolf discovery materials to Diasonics. The court understands Diasonics's needs, but now that Diasonics has dropped from consideration, the court's focus should be only on EDAP's interest in using and producing the Wolf materials. EDAP argues that it needs

to use Wolf documents and depositions which relate to litigation between EDAP and Wolf in the United Kingdom. In that lawsuit, one brought by Jacques Dory, the High Court of Justice ruled that certain Wolf devices did not infringe on some of EDAP's European Patents.[1] According to EDAP, Diasonics wants to use this decision to estop EDAP from relitigating certain factual issues; EDAP claims that it needs the Wolf discovery materials in order to block this attempt.

Wolf submits that EDAP does not need these materials to fight its battle in California. Wolf first argues that in order to estop EDAP from relitigating certain factual issues on the basis of the United Kingdom decision, Diasonics would have to show that it was a party to the case, which Diasonics was not. Wolf thus suggests that Diasonics's purported collateral estoppel defense is unworthy, and thus EDAP need not rebut it. Wolf ignores, however, *Blonder-Tongue v. University Foundation*, 402 U.S. 313 (1971), which abandoned the long-standing requirement of mutuality in application of collateral estoppel. If federal law controlled the extent to which Diasonics could seek issue preclusion on the basis of a United Kingdom judgment,[2] Diasonics clearly could assert collateral estoppel,

---

[1] The parties did not present the details of this litigation in their briefs on the pending motion. The court is aware of them, however, from briefs on a motion for summary judgment which was pending at the time the parties settled their dispute before this court.

[2] Wolf and EDAP assumed while arguing the merits of the motion for summary judgment mentioned in note 1 above that federal principles of issue preclusion determine the preclusive effect of foreign judgments. Some authorities suggest, however, that the rendering forum's law should determine what issues, if any, that forum's judgments preclude. See Restatement (Second) of Conflict of Laws § 98 comment f (Amer.L.Inst. 1989 supp.); Robert C. Casad, Issue Preclusion and Foreign Country Judgments: Whose Law?, 70 Iowa. L.Rev. 53, 70-76 (1984).

without worrying about never appearing in the United Kingdom dispute.

Wolf's other argument is more persuasive. Wolf points out that the High Court of Justice took no evidence from Wolf in reaching its decision, and thus none of Wolf's information would aid EDAP in deflecting Diasonics's defense of collateral estoppel. EDAP suggests that the Wolf discovery materials would help it show that "critical evidence" was not before the High Court of Justice when it rendered its decision. EDAP has presented no authority for the proposition, however, that a party who loses a judgment can avoid the preclusive effect of that judgment by arguing that it could have put on a better case. The major purpose of issue preclusion under federal law is to induce parties—particularly plaintiffs—to put on their best case for the first time 'round. See Charles Alan Wright, Arthur R. Miller, and Edward H. Cooper, 18 Federal Practice and Procedure § 4464 (West 1981). EDAP will not be able to defeat Diasonics's defense by showing how it could have done better in the United Kingdom; this court will not aid this futile attempt by releasing Wolf's materials.

EDAP's motion for reconsideration is denied.

ENTER:

/s/ BRIAN BARNETT DUFF
Brian Barnett Duff, Judge
United States District Court

DATE: July 3, 1990

IN THE
UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

RICHARD WOLF MEDICAL INSTRUMENTS CORP. and RICHARD WOLF, GmbH,	)	
Plaintiffs,	)	
v.	)	Case No. 87 C 1254
JACQUES DORY and EDAP, S.A.,	)	
Defendants.	)	

MEMORANDUM OPINION

Defendants Jacques Dory and EDAP, S.A. ("EDAP") and non-party Diasonics, Inc. seek an order allowing EDAP to disclose to Diasonics documents produced in the course of this litigation. This case was settled pursuant to a consent judgment dated October 12, 1989. EDAP has sued Diasonics in federal court in California. EDAP and Diasonics say the California litigation involves the same patents that were at issue in this case. Diasonics says documents produced by plaintiff in this case and certain deposition testimony may help it prove a defense to defendants' charges of patent infringement. Diasonics also says that it will be less expensive to obtain the documents and related testimony this way than by pursuing discovery in the California suit. Plaintiffs Richard Wolf Medical Instruments Corp. and Richard Wolf, GmbH ("Wolf") oppose the present motion on the ground that a protective

order entered by the court in this case prohibits disclosure of the documents. I agree that disclosure should not be allowed.

On April 5, 1988, at the request of all parties, I entered an agreed amended protective order in the *Wolf v. Dory* litigation. The protective order contained standard provisions allowing each party to designate certain material as "confidential" or "sensitive confidential," prohibiting disclosure of any such information to persons other than those specifically designated, allowing any party to seek a court order that a confidential or sensitive confidential designation was inappropriate, and providing for the return or destruction of all documents (including depositions so marked) at the termination of the litigation. Sometime during the summer of 1989 in the California suit brought against Diasonics by EDAP, Diasonics served a motion to produce documents received by EDAP in this case. In September, 1989 EDAP and Wolf concluded discussions regarding settlement of this case, which culminated in the consent decree dated October 12, 1989. During the settlement discussions, EDAP did not inform Wolf that it had been asked to produce documents by Wolf in the California suit. Paragraph 5 of the October 12 consent decree provides:

> The Amended Protective Order, . . . heretofore stipulated by all parties and entered by the Court in this action, shall remain in effect, and documents and other information produced or otherwise given pursuant to said Amended Protective Order shall remain subject to said Order.
>
> Jurisdiction of this Court is reserved with respect to the provisions of said Amended Protective Order.

Not knowing that EDAP was subject to a request to produce in California many of the documents produced by

Wolf under this protective order, Wolf began complying with paragraph 14 of the protective order soon after the consent decree was entered in this case. Paragraph 14 of the protective order required that "within 30 days after final termination of this case" all documents marked confidential or sensitive confidential were to be returned to counsel for the producing party or a certification provided that all originals and copies had been destroyed. On November 21, 1989, Wolf's counsel, William W. Schwarze, wrote EDAP's attorney, Jerold B. Schnayer, stating that he had "not heard from you with respect to our telephone conversation of November 7, in which I suggested that all sides shred the confidential documents and exchange certificates of destruction." Mr. Schwarze informed Mr. Schnayer in that letter that in accordance with paragraph 14 of the protective order, he was ordering all counsel for Wolf to destroy the documents in question. By letter dated December 29, 1989, counsel for EDAP first informed Wolf's lawyers about the request for the Wolf documents in the California case and that it had therefore not complied with paragraph 14. After discussions seeking to resolve the problem failed, EDAP brought the present motion.

In proceedings before me there has been considerable discussion regarding whether EDAP violated the protective order by its actions. EDAP points out that it could not destroy the documents until this issue was resolved once it received a document request in the California case seeking the documents in this case. That is not disputed. EDAP has not satisfactorily explained why, however, it did not inform Wolf of the request prior to the conclusion of settlement discussions and the entry of the consent decree in this case, not why it waited until December 29, 1989 to do so. Its explanation of attempting to

have a protective order entered in the California case before discussing the problem with Wolf's counsel, or even informing them of the problem, is not persuasive. Wolf agreed to a settlement believing that pursuant to a valid protective order the documents and other confidential information produced by it would be either returned to it or destroyed. I do not know whether Wolf would have agreed to the settlement if it had known of the request, but the fact that EDAP failed to inform Wolf of its existence at a time when compliance with the protective order was considered important enough to be explicitly referred to in the consent decree suggests that EDAP may have been concerned that knowledge of the request might have been considered important to Wolf. Even after the consent decree was entered, knowing that Wolf intended to comply with its obligation to return or destroy documents, EDAP waited until it should reasonably have believed Wolf had destroyed EDAP's documents (and it apparently had) before informing Wolf of the outstanding document request for Wolf's documents. EDAP should have informed Wolf promptly of the request for production—certainly before the consent decree—and should have informed this court that it would be unable to comply with paragraph 14 of the protective order until the question of production of documents in the California case was resolved.

EDAP's violation of the protective order does not dispose of the issue before me, however, since Diasonics did not, so far as I have been informed, take part in any misconduct. The general rule, nevertheless, is that nonparties to litigation cannot obtain documents marked "confidential" and nondisclosable under a protective order such as exists in this case. *E.g., Federal Deposit Insurance Corporation v. Ernst & Ernst*, 677 F.2d 230, 232 (2d Cir.

1982) (non-parties could not have access to the terms of a settlement entered pursuant to a protective order; the court explained that "[o]nce a confidentiality order has been entered and relied upon, it can only be modified if an 'extraordinary circumstance' or 'compelling need' warrants the requested modification."); *Martindell v. International Telephone and Telegraph Corporation*, 594 F.2d 291, 295-96 (2d Cir. 1979) (denying government's motion to obtain deposition testimony in action between private parties). In *Martindell*, Judge Mansfield held that even the government's interest in obtaining relevant evidence for law enforcement purposes could not outweigh the interest in being able to rely on a protective order. He noted that the function of a protective order is to " 'secure the just, speedy, and inexpensive determination' of civil disputes, Rule 1, F.R.Civ.P., by encouraging full disclosure of all evidence that might conceivably be relevant." *Id.* at 295. He continued:

> This objective represents the cornerstone of our administration of civil justice. Unless a valid Rule 26(c) protective order is to be fully and fairly enforceable, witnesses relying upon such orders will be inhibited from giving essential testimony in civil litigation, thus undermining a procedural system that has been successfully developed over the years for disposition of civil differences. . . . *Id.*

Accord, e.g., GAF Corp. v. Eastman Kodak Co., 415 F. Supp. 129, 131 (S.D.N.Y. 1976), in which Judge Frankel noted that there "has been throughout an explicit understanding between the parties that discovery was being demanded and given solely for use in, and preparation of, this case."

EDAP and Diasonics rely on *American Telephone and Telegraph Company v. Grady*, 594 F.2d 594 (7th Cir. 1978), *cert. denied* 440 U.S. 971, to support disclosure.

There, however, the Seventh Circuit merely affirmed an order allowing disclosure to the government. It nevertheless stated that "where a protective order is agreed to by the parties before its presentation to the court, there is a higher burden on the movant to justify the modification of the order" and indicated that generally a litigant should be able to "take the scope delineated by a protective order 'literally.' " *Id.* at 597.

All of the considerations favoring enforcement of the nondisclosure terms of the protective order are applicable in this case. The parties to this case are competitors. They agreed to a protective order in which documents and other information produced by one side would be returned or destroyed at the conclusion of the case. There were many hard fought discovery battles as well as agreements reached over production. Some of the orders entered restricted production to particular counsel because of the court's concern, based on experience in the case, that certain persons within EDAP or representing it could not be trusted to abide even by a protective order. The parties settled the case, concluding their dispute with the explicit understanding that all the information produced during discovery would be returned or destroyed. Wolf, in reliance on that agreement, destroyed documents and information received by it from EDAP. For unknown reasons, EDAP did not disclose the existence of the discovery request until after all of this had been done. Also for unknown reasons, EDAP now vigorously seeks production of this material to its opponent, Diasonics. Diasonics has not shown any need for the materials in question beyond the usual desire of a litigant for material that could be useful to it in defense of EDAP's lawsuit. If that is the extraordinary showing that would allow disclosure in the face of a protective order such as entered in this

case, no litigant can safely rely on a protective order. I conclude that neither EDAP nor Diasonics has shown sufficient cause for modification of the protective order in this case to allow disclosure to Diasonics of the information requested. The motion is denied.

/s/ ELAINE E. BUCKLO
Elaine E. Bucklo
United States Magistrate

Dated: April 5, 1990.

Supreme Court, U.S.
FILED
JUL 2 1991
OFFICE OF THE CLERK

(2)

No. 91-1862

IN THE

Supreme Court of the United States

OCTOBER TERM, 1991

EDAP, S.A.,

Petitioner,

vs.

RICHARD WOLF GmbH and RICHARD WOLF MEDICAL INSTRUMENTS CORP.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

WILLIAM SCHURTMAN
Counsel of Record
GREGORY F. HAUSER
WALTER, CONSTON, ALEXANDER & GREEN P.C.
90 Park Avenue
New York, New York 10016
(212) 210-9400

Counsel for Respondents

QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit, the District Court for the Northern District of Illinois, and the Magistrate below all erred in determining that petitioner should not be permitted to take respondents' confidential documents produced in pre-trial discovery pursuant to a protective order in this action and to use them in another action, to which respondents are not parties, after petitioner had expressly agreed to return or to destroy those documents following the conclusion of this action, after respondents had relied on that agreement in producing the documents and in settling this action, and where it would be difficult for respondents to protect their interests under a protective order in the second action to which they are not parties?

2. Whether public policy requires that petitioner, after inducing respondents to settle this action in reliance on a protective order that required petitioner to return or to destroy respondents' confidential documents, and after breaching the protective order and settlement agreement by refusing to do so, should now be entitled to a modification of the protective order allowing petitioner to invade respondents' privacy, to retain those documents, which had not been introduced into evidence, and to use them in another action, to which respondents are not parties, in an effort to sustain the validity of petitioner's patent?

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No. 91-1862

IN THE

Supreme Court of the United States

OCTOBER TERM, 1991

EDAP, S.A.,

Petitioner,

VS.

RICHARD WOLF GmbH and RICHARD WOLF MEDICAL INSTRUMENTS CORP.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

Respondents Richard Wolf GmbH and Richard Wolf Medical Instruments Corp. (hereinafter collectively "Wolf") submit this brief in opposition to the petition of EDAP, S.A. ("EDAP"), for a writ of certiorari to the United States Court of Appeals for the Federal Circuit, which affirmed *per curiam* the order of the United States District Court for the Northern District of Illinois overruling EDAP's objections to the decision of the Magistrate below that denied EDAP's motion to modify a protective order.

ADDITIONAL RULE INVOLVED

Petitioner has omitted to set out the authority pursuant to which the protective order at issue was entered, namely, Federal Rule of Civil Procedure 26(c):

> **Protective Orders.** Upon motion by a party or by the person from whom discovery is sought and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following: (1) that the discovery not be had; (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place; (3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery; (4) that certain matters not be inquired into, or that the scope of the discovery be limited to certain matters; (5) that discovery be conducted with no one present except persons designated by the court; (6) that a deposition after being sealed be opened only by order of the court; (7) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way; (8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the court.
>
> If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or person provide or permit discovery. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion.

STATEMENT OF THE CASE

EDAP's Statement of the Case fails to mention the central fact that EDAP induced Wolf to settle this action without disclosing that EDAP did not intend to meet its obligation under the protective order at issue to return or to destroy Wolf's confidential and proprietary documents. Instead, EDAP's actions show that it meant all along to retain and to use the documents in its separate California lawsuit against another competitor, Diasonics. These circumstances are discussed in detail in the opinion of the Magistrate below. (A7-13.[1])

In September 1989, Wolf and EDAP negotiated a comprehensive settlement of a bitter and hard-fought international patent dispute, which had been litigated in the United States and several European countries. Wolf had won many of the battles; for example, it had prevailed at a trial in England, where the High Court of Justice ruled in the alternative either that Wolf had not infringed EDAP's patent or that, if infringed, the patent was invalid. Wolf had also defeated actions in Italy and the Netherlands, in which EDAP sought preliminary injunctions, and had won dismissal of an attempted criminal action for patent infringement in Switzerland.

Several years of unrelenting and exceedingly costly world-wide litigation, however, had taken their toll. Faced with the cost and risks of a lengthy jury trial in the United States, to say nothing of subsequent appeals and possible further litigation in other countries, as well as the risk that such court proceedings would reveal confidential Wolf information to competitors, Wolf decided in 1989 to settle the dispute on a worldwide basis and prior to the trial in the U.S. action.

One of Wolf's major concerns was to retrieve the many confidential documents which, as a party, it had been required to produce during pre-trial discovery in the U.S. litigation. Wolf had produced these documents pursuant to a protective order. The protective order was not a blanket order, rather, it provided

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[1] References to A ____ are to the Appendix to the Petition.

that the parties could protect selected, individual documents, interrogatory responses or pages of deposition transcripts by designating them either "Confidential" or "Sensitive Confidential." The order limited the former designation to proprietary technical or research and development data and the latter to proprietary financial information.

Beginning in early 1988, Wolf had produced to EDAP over 35,000 pages of documents, and fourteen of its employees and attorneys gave dozens of volumes of deposition testimony. Wolf designated only a fraction of this as "Confidential" or "Sensitive Confidential."

The protective order also provided, in paragraph 14:

> Within thirty (30) days after final termination of this case, receiving counsel shall return all originals, copies and samples of materials containing CONFIDENTIAL INFORMATION or SENSITIVE CONFIDENTIAL INFORMATION in his possession, custody or control to counsel for the party who has provided them in discovery or certify destruction thereof.

On December 30, 1988, months before the negotiations leading to the settlement between Wolf and EDAP had begun, Diasonics had served on EDAP a document request in their separate California litigation that sought Wolf's documents produced to EDAP in the Illinois action. Yet, at no time during (or, for that matter, before) the settlement negotiations did EDAP disclose this to Wolf, as the Magistrate found in her opinion below (A10).

The consent judgment, dated October 12, 1989, expressly provided, in paragraph five (A8):

> The Amended Protective Order, . . . heretofore stipulated by all parties and entered by the Court in this action, shall remain in effect, and documents and other information produced or otherwise given

> pursuant to said Amended Protective Order shall remain subject to said Order. Jurisdiction of this Court is reserved with respect to the provisions of said Amended Protective Order.

It was not until December 29, 1989 — more than two months after entry of the consent judgment — that EDAP disclosed for the first time that a full year before it had received the document request from Diasonics. It was not until January 16, 1990, that Wolf was informed that EDAP had not proceeded with the required destruction or return of Wolf's confidential documents and that Diasonics and EDAP would seek to modify the protective order to allow the use of those documents in the California action. The actual motion to modify the protective order was made on January 22, 1990. This was well after Wolf's attorneys had already destroyed the confidential documents produced to them by EDAP.[2]

When EDAP initially joined Diasonics' motion for a modification of the protective order, its principal argument was that EDAP was required to produce the Wolf documents in the California action pursuant to a discovery request by Diasonics, and that EDAP therefore found itself between "Scylla and Charybdis." EDAP mentioned only in passing that it also wanted to use the Wolf documents for its own purposes.[3]

The district court referred the motion to the Magistrate, who had spent approximately two years supervising the numerous discovery battles between Wolf and EDAP, had approved the confidentiality order, and was thoroughly familiar with the parties, the documents and prior problems with enforcing the confidentiality order against EDAP.[4] At the Magistrate's direction,

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[2] The bulk of Wolf's destruction had taken place on December 7 and 8, 1989.

[3] As the district court noted (A4): "EDAP's motion ambiguously requests permission to 'use and produce' the Wolf discovery materials to Diasonics."

[4] For a time, an attorney for EDAP, William A. Drucker, had been precluded from access to Wolf's confidential documents because, *inter alia*, another

(Footnote continued)

EDAP provided a list of the Wolf confidential documents and deposition transcripts that EDAP wished to use in the California litigation. The list included virtually all of those materials, comprising approximately three thousand pages. EDAP did not elaborate on its conclusory, blunderbuss claim that the documents it listed were all relevant to the issues in the California action.

After extensive briefing and oral argument, the Magistrate denied the motion on the grounds that neither EDAP nor Diasonics had shown sufficient cause to modify the protective order (A7-13).

EDAP promptly filed objections to the Magistrate's order. Diasonics did not join the objections, and EDAP's position then became clear: It had retained Wolf's confidential documents not to comply with Diasonics' discovery request but solely for EDAP's *own* use in litigating against Diasonics.[5]

In its decision, the district court concluded that the Magistrate's order was not clearly erroneous or contrary to law and overruled EDAP's objections (A3-6). The United States Court of Appeals for the Federal Circuit affirmed *per curiam* (A1-2). In addition, on March 19, 1991, the Federal Circuit denied EDAP's petition for rehearing and suggestion for rehearing in banc and, on April 8, 1991, denied EDAP's petition to vacate and/or stay the court of appeals' mandate pending this Court's action on the present petition for a writ of certiorari.

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federal court had previously held that he had acted in bad faith with regard to document discovery. See *Struthers Patent Corp. v. Nestle Co.*, 558 F. Supp. 747, 756-66 (D.N.J. 1981). In addition, the district court admonished the lead attorney for EDAP for providing a list of Wolf's confidential documents to EDAP's counsel in the English case. Thus, the Magistrate referred to her "concern, based on experience in the case, that certain persons with EDAP or representing it could not be trusted to abide even by a protective order." (A12.)

[5] The district court stated (A4): "The Court understands Diasonics' needs, but now that Diasonics has dropped from consideration, the court's focus should be only on EDAP's interest in using and producing the Wolf materials."

The Declarations of the Attorneys for Diasonics and Wolf

In its Statement of the Case, EDAP relies on the declarations of two Diasonics attorneys who claim that, in telephone conversations in October 1989 with Wolf's attorneys, the latter were informed by Diasonics of the outstanding document request and gave assurances that they would maintain "documents from the Chicago lawsuit" for Diasonics' use in the California case.

To begin with, the alleged communications with Diasonics' attorneys are now irrelevant to this proceeding since Diasonics did not join in the objections to the Magistrate's decision and was not a party to the appeal below.

Even if relevant, the declarations of Diasonics' attorneys are contradicted by the declarations of Wolf's attorneys and their notes of the telephone conversations in question. Mr. Panitch, the Wolf attorney with whom Diasonics' counsel first spoke by telephone, declared that "I . . . understood that no [document] demand had yet been made on [counsel for EDAP] . . . . I made no promises to Mr. Taylor regarding document retention." Mr. Schwarze, with whom Diasonics' attorneys next spoke, declared that "I do not recall Messrs. Taylor, Reagin and Halvorson ever telling me that Diasonics had served any document request on EDAP for Wolf documents", and his contemporaneous notes of the conversation say: "Interested in prior art, not documents covered by Protective Order."

Both sets of declarations were before the fact finder, the Magistrate, who found that Wolf's version of the relevant events was the better supported (A9-10) and that neither EDAP nor Diasonics was entitled to access to the Wolf documents. Both sets of declarations were also before the district court, which affirmed the Magistrate's decision, and the court of appeals, which affirmed the district court.

Finally, there is no dispute that the first mention to Wolf by EDAP of Diasonics' document request did not come until December 29, 1989.

SUMMARY OF THE ARGUMENT

This Court and lower federal courts have made clear that the making and enforcement of protective orders are necessary to the proper functioning of pre-trial discovery under the Federal Rules of Civil Procedure, *inter alia*, to protect the privacy interests of litigants and third-party witnesses from undue invasion and to facilitate the complete preparation of civil disputes for trial. EDAP's unsuccessful attack on the enforcement of the protective order below, if sanctioned now, would betray those policies as well as Wolf's reliance on that order. There is also no support in the policies underlying the patent laws to justify the invasion of Wolf's privacy that EDAP seeks in the interest solely of searching out potential evidence that could at best go only to secondary indicia of the validity of EDAP's patent.

The case law on which EDAP relies is inapplicable because the decisions each involved modification of a protective order in one action to allow production of protected materials in a second to which the producing party from the first action was also a party. Wolf is not, however, a party to the second action by EDAP against Diasonics. There is significant precedent among the federal courts for refusal to modify a protective order when the modification would allow use of the protected materials for other than a second civil litigation to which the producing entity is also a party. This authority is particularly applicable in cases such as Wolf's, where it has demonstrated reliance on the terms of the protective order both in producing the materials to EDAP and in settling its suit with EDAP.

As the Magistrate below found (and as affirmed by the district court and court of appeals), EDAP induced Wolf's reliance and violated the protective order, the settlement agreement, and the consent judgment in not disclosing prior to the settlement EDAP's desire to use Wolf's confidential materials in the California action and in not returning or destroying those documents as required by the protective order. The Magistrate also found that disclosure of the documents would expose Wolf to serious competitive risk. The record amply supports those findings. EDAP's bad faith and violation of the order and of its agreement

should not now give it greater rights against Wolf than if there had been no such prior dealings, particularly since it would be difficult if not impossible for Wolf to police use of its materials in the California action. The writ should be denied.

ARGUMENT

I. The Writ of Certiorari Should Be Denied Because No Important Question of Federal Law Is Presented

EDAP invokes the policies underlying the Federal Rules of Civil Procedure and the patent laws in support of its petition for review by this Court. In actuality, the three decisions below – all denying petitioner's application and its successive albeit unsuccessful appeals – properly served and applied those policies.

The lower courts' enforcement of the protective order against EDAP and refusal to allow the use of Wolf's confidential pretrial discovery materials beyond the present action were completely consistent with the Federal Rules of Civil Procedure. This Court has explained their underlying policy and how they should be applied in the case of a protective order:

> . . . pretrial depositions and interrogatories are not public components of a civil trial. . . . Therefore, restraints on discovered, but not yet admitted, information are not a restriction on a traditionally public source of information.
>
> * * *
>
> Rule 26(c) [authorizing protective orders] furthers a substantial governmental interest . . . . Liberal discovery is provided for the sole purpose of assisting in the preparation and trial, or the settlement, of litigated disputes. Because of the liberality of discovery permitted by Rule 26(b)(1), it is necessary for the trial court to have the authority to issue protective orders conferred by Rule 26(c). It is clear from experience

> that pretrial discovery by depositions and interrogatories has a significant potential for abuse. This abuse is not limited to matters of delay and expense; discovery may also seriously implicate privacy interests of litigants and third parties.

Seattle Times Co. v. Rhinehart, 467 U.S. 20, 33, 34-35 (1984). Petitioner remarkably ignores this decision, although it was a point of argument in the court of appeals and it speaks directly to the dispute now before this Court.

Pretrial discovery in this action was massive in scope, presenting the "significant potential for abuse" of which this Court spoke in *Seattle Times v. Rhinehart*. The scope of discovery implicated directly Wolf's interest in maintaining the privacy of its confidential and proprietary research, engineering and financial information concerning its lithotriptor, especially since the lithotripsy market is intensely competitive. To suggest, as petitioner does, that the Federal Rules of Civil Procedure and their underlying policies should force Wolf to disclose those materials to still another competitor, in an action in which Wolf will be unable adequately (if at all) to monitor or to object to their use or further disclosure, flies in the face of the policy that supports the protective order on which Wolf relied in producing those materials and in settling its action with EDAP.

Petitioner's suggestion that the general proscription of Rule 1 of the Federal Rules of Civil Procedure somehow overcomes these concerns turns the actual matter on its head, as the Court of Appeals for the Second Circuit has explained:

> . . . the vital function of a protective order issued under Rule 26(c), F.R.Civ.P. . . . is to "secure the just, speedy, and inexpensive determination" of civil disputes, Rule 1, F.R.Civ.P., by encouraging full disclosure of all evidence that might conceivably be relevant. This objective represents the cornerstone of our administration of civil justice. Unless a valid Rule 26(c) protective order is to be fully and fairly enforceable, witnesses relying upon such orders will be

> inhibited from giving essential testimony in civil litigation, thus undermining a procedural system that has been successfully developed over the years for disposition of civil differences.

Martindell v. Int'l Tel. and Tel. Corp., 594 F.2d 291, 295 (2d Cir. 1979). And, as a district court noted in a decision relied upon by petitioner:

> The Federal Rules create a statutory presumption in favor of open discovery. This presumption serves the public interest of assuring the integrity of the judicial process. *This purpose is not served, however, by the disclosure of materials obtained through pretrial processes and not relied upon by the Court. Cf. Seattle Times, supra*, 467 U.S. at 33, 104 S.Ct. at 2208.

Tavoulareas v. Washington Post Co., 111 F.R.D. 653, 660 (D.D.C. 1986) (additional citations omitted; emphasis added).

EDAP's attempted appeal to the policies underlying the patent laws, and even the patent clause of the Constitution, similarly inverts those policies. EDAP relies heavily on this Court's decision in *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945); there are three infirmities in EDAP's approach.

First, as made clear in a Second Circuit case that this Court's decision cited (*see id.* at 330), the public interest at stake was not in the general validity of patents, but rather in the invalidation of patents that should not have been issued:

> Indeed, since the public is affected, there is much to be said for a decision in such a case as to the invalidity of the alleged patent monopoly (either alone or in conjunction with a decision of non-infringement) whenever the issue of invalidity is before the court and the evidence warrants such a decision. For a decision as to invalidity will tend to discourage suits against others based on that patent, and mere threats of patent

> suits, due to the expense of defending such litigation, may often prevent lawful competition which will be in the public interest; the desirability of a decision as to invalidity is especially important because it is the general rule that the government cannot bring suit to have a patent declared invalid . . . .

Cover v. Schwartz, 133 F.2d 541, 545 (2d Cir. 1942) (footnote omitted). Second, to underline this, *Sinclair & Carroll* was in fact a decision invalidating the patent at issue. Third, the decision predated by seven years the enactment of section 103 of title 35 of the U.S. Code, which introduced the objective standard of non-obviousness for patentability that is applicable in EDAP's suit against Diasonics. It is not only inversion but inappropriate for EDAP to invoke authority fostering the invalidation of patents to support its continuing effort to invade Wolf's privacy for the sole purpose of shoring up the validity of EDAP's patent.[6]

II. The Decisions Below Were Not Contrary to Law

Petitioner begins its legal arguments by relying on this Court's decision in *Ex Parte Uppercu*, 239 U.S. 435 (1915). In *Uppercu*, however, unlike the present case, there was no protective order prior to the settlement of the prior action, there was no evidence that in entering into the settlement the parties relied on the order sealing the court record, the lower court's order sealed the entire record indiscriminately, the person producing the materials at issue was a party to one of the two subsequent litigations, and all of the parties in both subsequent litigations had been

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[6] It should be noted that EDAP's patent does not pertain to the ground-breaking innovation that the petition implies (at 4 n. 5). There were lithotriptors in existence and on the market for some time before EDAP's was developed, and EDAP's is not yet approved by the FDA for marketing in the United States. At best, EDAP's patent, if valid, covers an incremental improvement to technology pioneered and developed by several others. Thus, EDAP's elaborate efforts to establish its patent's validity is in pursuit of a private property interest rather than a public interest of any note. The self-serving and irrelevant suggestions in the petition that Wolf copied EDAP's invention were belied by the record below and are not worthy of further response.

involved in the initial litigation in which the record was sealed. In direct contrast, EDAP and Wolf had negotiated and stipulated to a *selective* protective order *prior* to producing the materials at issue, Wolf relied on the terms of that order — including the requirement of the materials' return or destruction — in producing the materials and in settling the action, Diasonics had no involvement with this action, and Wolf is not a party to EDAP's suit against Diasonics.

Wolf in effect has a privilege pursuant to the explicit terms of the protective order to object to its materials' use in another litigation and to insist on their return or destruction. *Cf. Ex Parte Uppercu*, 239 U.S. at 440. The order, well within the authority of Fed. R. Civ. P. 26(c), is also therefore an "exception . . . to the general rule" that EDAP would rely upon. *Ex Parte Uppercu*, 239 U.S. at 440.

In its claim that the Federal Circuit's decision below was contrary to the applicable law of the Seventh Circuit, EDAP relies primarily on *Wilk v. American Medical Assoc.*, 635 F.2d 1295 (7th Cir. 1980). In *Wilk*, several chiropractors had sued the AMA and other defendants in the United States District Court for the Northern District of Illinois for a conspiracy under the antitrust laws to boycott chiropractors and for monopolization. The defendants obtained a protective order, and there was extensive discovery subject to the protective order. *Id.* at 1296.

The State of New York brought a separate *parens patriae* antitrust action against the AMA and most of the other *Wilk* defendants in the United States District Court for the Eastern District of New York. Several *Wilk* defendants moved to transfer the New York case to Illinois. The Multi-District Panel denied the motion on the ground that a transfer would delay the trial of the Illinois case, where discovery had been virtually completed, but contemplated that the discovery in the Illinois case would be available for use in the New York action. *Id.* at 1296-97.

The State of New York moved to intervene in the *Wilk* action for the purpose of modifying the protective order to allow access to the discovery in the Illinois case. The Illinois court

found that the intervenor had failed to meet the requirement of *American Tel. and Tel. Co. v. Grady*, 594 F.2d 594 (7th Cir.), *cert. denied*, 440 U.S. 971 (1979), that protective orders may only be modified for the benefit of collateral litigants when "exceptional circumstances" are present. *Wilk*, 635 F.2d at 1297. The Court of Appeals for the Seventh Circuit reversed. It distinguished *Grady* on the ground that *Grady* really stood for the proposition that "a collateral litigant has no right to obtain discovery materials that are privileged or otherwise immune from eventual involuntary discovery in the collateral litigation." *Wilk*, 635 F.2d at 1300.

Petitioner's heavy reliance on *Wilk* is misplaced for several reasons, each of which is itself a ground for denying the petition, as a number of decisions of the lower federal courts show:

1. The defendants in *Wilk* who resisted the modification of the protective order in the Illinois action were also defendants in the New York action. In essence, they wanted to put their adversary in New York to the trouble and expense of duplicating the discovery that these same defendants had produced in Illinois.

Wilk understandably held in the name of efficiency that such a duplication should be unnecessary where the information sought is discoverable in any event as a matter of right by simple notice under Fed. R. Civ. P. 26 *et seq.* Other cases relied upon by petitioner present a similar pattern. *See Olympic Refining Co. v. Carter*, 332 F.2d 260, 261 (9th Cir.), *cert. denied*, 379 U.S. 900 (1964); *Phillips Petroleum Co. v. Pickens*, 105 F.R.D. 545, 546 (N.D. Tex. 1985); *see also In re "Agent Orange" Product Liability Litigation*, 104 F.R.D. 559, 562 (E.D.N.Y. 1985) (those seeking access to discovery materials were actually plaintiffs in the *same* class action in which the protective order had been entered).

In the case at bar, Wolf is *not* a defendant in the California action. In essence, EDAP argues that Wolf's participation in the first litigation effectively waived Wolf's rights as a third-party witness in any other litigation to which EDAP — but not Wolf

– is a party and that EDAP should have the right to use Wolf's court-protected materials in any such litigation. This is not an effort to achieve efficiency but an attempt by EDAP to avoid the discovery safeguards to which a third-party witness has a justifiable right as a stranger to the second lawsuit.

In contrast to the distinguishable authorities relied upon by EDAP, the federal courts have often refused to modify a protective order to allow access to materials produced by a party under that order when the materials were later sought for a purpose other than use in another civil litigation to which the producing entity was once again a party. *See Martindell v. Int'l Tel. and Tel. Corp.*, 594 F.2d 291, 295-97 (2d Cir. 1979); *In re Air Crash Disaster*, 130 F.R.D. 634, 636-40 (E.D. Mich. 1989); *Tavoulareas v. Washington Post Co.*, 111 F.R.D. 653 (D.D.C. 1986); *State of Louisiana v. United States*, 656 F. Supp. 1310, 1321-22 (W.D. La. 1986), *aff'd*, 832 F.2d 935, *reh'g denied*, 836 F.2d 1346 (5th Cir. 1987), *cert. denied*, 485 U.S. 1033 (1988); *H.L. Hayden Co. v. Siemens Medical Systems*, 106 F.R.D. 551 (S.D.N.Y. 1985), *app. denied*, 797 F.2d 85 (2d Cir. 1986); *GAF Corp. v. Eastman Kodak Co.*, 415 F. Supp. 129 (S.D.N.Y. 1976).

2. *Wilk* did not involve a situation, such as the one at bar, where EDAP settled its case with Wolf with the understanding that the protective order would remain in force and that confidential documents would be destroyed or returned. As soon as their settlement had been signed and implemented and Wolf had destroyed EDAP's confidential documents, EDAP tried to renege on its agreements by moving to modify the protective order to allow EDAP to use the Wolf documents in the California lawsuit to which Wolf is not a party.

Unlike the motion by the State of New York in *Wilk*, EDAP's actions were a clear violation of the letter and spirit of the protective order, the settlement agreement and the consent judgment. *See also Omega Homes, Inc. v. Citicorp Acceptance Co.*, 656 F. Supp. at 404 ("[t]he court refuses to endorse Omega's tactic of inducing broad disclosure under a set of ground rules and of then avoiding any limitations on itself by asking the court to come in and change those rules"). Wolf's reliance on the

protective order in producing the materials in the first instance and in settling the case militates against any modification of the order. *See id.; accord, Federal Deposit Ins. Co. v. Ernst & Ernst*, 677 F.2d 230, 232 (2d Cir. 1982); *Martindell v. Int'l. Tel and Tel. Corp.*, 594 F.2d at 295-96; *Tavoulareas v. Washington Post Co.*, 111 F.R.D. at 658-61; *H.L. Hayden Co. v. Siemens Medical Systems*, 106 F.R.D. at 555; *GAF Corp. v. Eastman Kodak Co.*, 415 F. Supp. at 131-32.

3. As noted earlier, *Wilk* and *Grady* both held that a collateral litigant has no right to obtain discovery materials that are privileged or otherwise immune from discovery in the collateral litigation. EDAP now complains that it may be difficult for EDAP to obtain discovery against Wolf in the California action because of the problems of obtaining discovery against a third-party witness in Germany. EDAP's argument, however, begs the question.

In the Illinois case, Wolf was required to produce its confidential documents because it was the plaintiff in a declaratory judgment action and its suit could have been dismissed or Wolf could have faced a default judgment on EDAP's counterclaim for infringement if Wolf had refused to provide discovery. But, having settled the Illinois action, Wolf is now entitled to the full rights and protections of a third-party witness under federal civil procedure, including the applicable provisions of the Hague Evidence Convention.[7] *See, e.g., McLaughlin v. Fellows Gear Shaper Co.*, 102 F.R.D. 956, 958 (E.D. Pa. 1984); *cf. Societe Nationale Industrielle Aerospatiale v. United States District Court*, 482 U.S. 522, 546 (1987). The fact that Wolf was once a litigant in an Illinois case that was settled should not entitle its former adversary in Illinois, EDAP, to treat Wolf as though it were a party to EDAP's California case against Diasonics. In short, EDAP's violation of the protective order and of the settlement agreement should not give it greater rights against Wolf than it would otherwise have.

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[7] The Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, *opened for signature* June 1, 1970, 23 U.S.T. 2555, T.I.A.S. No. 7444.

4. A final factor that distinguishes this case from *Wilk* is that the AMA and other defendants in *Wilk*, as parties to both of the pending actions, had the ability to police compliance with the protective orders in both. In the Illinois action below, Wolf had the ability to police compliance with that protective order. It would be difficult, if not impossible, for Wolf to police compliance with the protective order in the California action, to which Wolf is not even a party. There is therefore an infinitely greater danger that Wolf's confidential data will be revealed to employees of its two direct competitors, EDAP and Diasonics, in the California action.

EDAP asserts that Wolf's confidential documents and deposition testimony will be disclosed only to Diasonics' attorneys. EDAP's position on this, however, is plainly fallacious. If EDAP is to use any of the Wolf information to support EDAP's patent at trial, then the information will necessarily be disclosed to employees of Wolf's competitors, namely, EDAP and Diasonics, who will have to discuss the Wolf information on the witness stand. Moreover, either Diasonics or EDAP, or some other competitor in still another litigation, could seek at any time to modify the protective order in the California action, especially if EDAP's position in its petition before this Court prevails. The better position, one that preserves both Wolf's privacy and the integrity of the protective order at issue, is to deny the petition.

In *Micro Motion, Inc. v. Kane Steel Co.*, 894 F.2d 1318 (Fed. Cir. 1990), plaintiff Micro Motion sought discovery from a third-party witness in a patent infringement suit. The third-party witness, K-Flow, objected. The district court ordered some but not all of the discovery sought, and both parties appealed. The court of appeals concluded that "Micro Motion [had] established no right under the Federal Rules of Civil Procedure to the discovery it requested . . . ." 894 F.2d at 1320.

Micro Motion asserted in its favor, as does EDAP here, that a protective order accorded K-Flow all the protection it needed. The Federal Circuit responded with observations equally applicable to the case at bar:

> As an initial matter, we reject Micro Motion's argument that the protective order, entered by the court here, obviates K-Flow's objections to discovery. The protective order is not a substitute for establishing relevance or need. . . . information supplied by K-Flow is placed in risk of public disclosure by the very terms of the California protective order. To illustrate, the designation of material as "confidential" by K-Flow would not be controlling. The California court retains authority to decide what materials are properly deemed "confidential" and what part of the trial shall be *in camera*. It would be divorced from reality to believe that either party here would serve as the champion of its competitor K-Flow either to maintain the confidentiality designation or to limit public disclosure as much as possible during trial. K-Flow would, in fact, lose all control of the situation since disclosure of its information depends on the action by a court before whom it has no standing.

894 F.2d at 1325.

Considering that EDAP had negotiated and stipulated to the terms of the protective order, it is interesting that EDAP fails to mention one aspect of Seventh Circuit law that directly supports the decisions below not to modify that order. "[W]here a protective order is agreed to by the parties before its presentation to the court, there is a higher burden on the movant to justify the modification of the order." *American Tel. and Tel Co. v. Grady*, 594 F.2d 594, 597 (7th Cir.), *cert. denied*, 440 U.S. 971 (1979); *see also In re Air Crash Disaster*, 130 F.R.D. 634, 638-39 (E.D. Mich. 1989)(in the Sixth Circuit, the party seeking modification of a protective order "has the burden of explaining why its needs outweigh existing privacy concerns" of the producing party); *Tavoulareas v. Washington Post Co.*, 111 F.R.D. 653, 659-60 (D.D.C. 1986) (in describing harm potentially flowing from modification of protective order to allow disclosure of confidential materials, party need not meet the standard of particularity required where a court is considering whether to enter the order initially, since the order is a *prima*

facie finding that harm will result from disclosure). As the Magistrate and the district court found, and the court of appeals affirmed, EDAP did not meet its burden.

Decisions from two other courts of appeal relied upon by EDAP are easily distinguished. In *Public Citizen v. Liggett Group*, 858 F.2d 775 (lst Cir. 1988), *cert. denied*, 488 U.S. 1030 (1989), there was a single litigation, and a non-party sought access on the two primary grounds that (i) "the protective order . . . was a blanket protective order, . . . extending broad protection to *all* documents produced by Liggett" and (2) "the documents that Public Citizen seeks are *not* documents that . . . contain trade secrets or other specially confidential material" and were documents that the district court had presumed "would become public in any event." 858 F.2d at 790-91 (first emphasis added, second in original). Also, it should be noted that Public Citizen was *not* seeking to use the documents against Liggett in a second litigation.

The protective order here was not a blanket order and required Wolf to designate individually which documents were "confidential" or "sensitive confidential." In addition, the burden was on the producing party to justify each designation that was challenged. Wolf has maintained that these documents contain technological trade secrets and other highly confidential material, such as research and development data and financial information, which had been subject to continuing protection throughout the original action and which could be used to Wolf's significant detriment by competitors such as EDAP and Diasonics.

In *Meyer Goldberg, Inc. v. Fisher Foods*, 823 F.2d 159 (6th Cir. 1987), the plaintiff in a second litigation against the same defendants as in the first sought production of tape recordings of conversations among the parties to the first litigation that had originally been produced by the plaintiff there. Although the defendants in the second litigation opposed production, the plaintiff from the first litigation — the original producing party — did not. *Id.* at 161 and 162; *see also id.* at 163 ("the record in this case nowhere reflects a confidentiality relied upon by any

party now before the court"). This case is totally inapposite to the present matter, where Wolf relied on the confidentiality order both in producing the documents and in settling this action and has strenuously opposed production of the materials sought for the California action.

III. The Decisions Below Were Not Clearly Erroneous

Several potential uses of the confidential documents in the California litigation were before the Magistrate. Diasonics' failure to object to the Magistrate's order eliminated the issue of its document request as well as any need for EDAP to rebut Diasonics' use of Wolf's documents. The denial by the California district court of Diasonics' motion to assert a collateral estoppel defense based on the decision of the English court in favor of Wolf (see EDAP's petition at 7 n. 3) eliminated that concern. The only use of the documents remaining at issue is EDAP's desire as plaintiff in the California action to use the Wolf documents as evidence that EDAP's patent is valid due to "secondary indicia" of nonobviousness, such as long-felt need and alleged failure by Wolf.

Magistrate Bucklo below carefully reviewed the arguments in favor of modifying the protective order and concluded (A12):

> All of the considerations favoring enforcement of the nondisclosure terms of the protective order are applicable in this case. The parties to this case are competitors. They agreed to a protective order in which documents and other information produced by one side would be returned or destroyed at the conclusion of the case.

The Magistrate premised her decision on Wolf's reliance on the protective order when it first produced those documents and later settled the case, on EDAP's violation of that order, and on EDAP's failure to show sufficient cause to modify the order. As already related *supra*, there is ample evidence in the record to support the Magistrate's conclusions and their affirmance by the district court and court of appeals.

Furthermore, EDAP's motion would have required Wolf to surrender thousands of pages of confidential deposition testimony and internal documents to two of its competitors for their own litigation purposes. EDAP's conclusory assertion that these are all necessary for the California litigation was unelaborated and unsupported. EDAP did not even bother in its application below to discuss the relevance of any specific document or deposition testimony, or even categories of documents, much less materiality. Nor is discovery of this scope from a third-party witness appropriate for such a secondary issue.

EDAP's application is an attempt to clothe the "wolf" of its violation of the protective order and settlement agreement below in the sheep's clothing of a self-trumpeted public interest. This effort is disingenuous, and EDAP's attempted invocation of a public interest is overblown. The real public interest lies in protecting the enforceability of protective orders and thus their reliability. As this Court said in *Seattle Times Co. v. Rhinehart:*

> The trial court is in the best position to weigh fairly the competing needs and interests of parties affected by discovery. The unique character of the discovery process requires that the trial court have substantial latitude to fashion protective orders.

467 U.S. at 36. The trial court's exercise of its discretion within that latitude was affirmed by the court of appeals, and there is no need for this Court to review, much less to disturb that action.

CONCLUSION AND RELIEF SOUGHT

For the reasons stated herein, we request that EDAP's petition be dismissed and the writ of certiorari denied.

Respectfully submitted,

WILLIAM SCHURTMAN
GREGORY F. HAUSER
WALTER, CONSTON, ALEXANDER
& GREEN, P.C.
Attorneys for Respondents
90 Park Avenue
New York, New York 10016
(212) 210-9400

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No. 90-1862

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

EDAP, S.A.,

Petitioner,

vs.

RICHARD WOLF GmbH and
RICHARD WOLF MEDICAL INSTRUMENTS CORP.,

Respondents.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITIONER'S REPLY TO BRIEF IN OPPOSITION

A. SIDNEY KATZ
Counsel of Record
JEROLD B. SCHNAYER
SUZANNE HINES
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner

Midwest Law Printing Co., Chicago 60611, (312) 321-0220

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[1] The list required by Supreme Court Rule 29 naming the parties' parent companies and/or subsidiaries is included at page ii of EDAP's Petition for a Writ of Certiorari.

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PETITIONER'S REPLY TO BRIEF IN OPPOSITION

INTRODUCTION

In their Brief in Opposition to EDAP S.A.'s, (hereinafter "EDAP" 's), Petition for a Writ of Certiorari, respondents Richard Wolf GmbH and Richard Wolf Medical Instruments Corp., (hereinafter collectively "Wolf"), have raised an argument not addressed in EDAP's Petition for a Writ of Certiorari. EDAP files the instant Reply Brief to respond to Wolf's newly raised argument.

ARGUMENT

Specifically, Wolf states incorrectly in the "Questions Presented" section of its Opposition that EDAP "induced" Wolf to settle the United States litigation between the parties in reliance upon the provision of the Protective Order regarding the return or destruction of documents, (Wolf's Opposition, p.i., par.1), and that Wolf "relied upon" this provision in settling the action. (*Id.*, par.2)

Wolf further misstates in its "Summary of Argument":

> "As the Magistrate below found, (and as affirmed by the District Court and the Court of Appeals), EDAP induced Wolf's reliance and violated the protective order, . . ."

(Wolf's Opposition, p.8).

Wolf's allegations of "inducement" and "reliance" are fallacious and are not supported by the record in this case. The provision of the protective order regarding the destruction or return of documents is not referred to anywhere in the Consent Judgment entered by the Court. Nor is there any evidence that it was included in the parties' Settlement Agreement, or that it was even discussed during the parties' settlement negotiations.

Moreover, contrary to Wolf's statement in its "Summary of Argument", the Magistrate never "found" that EDAP induced Wolf's purported reliance. On the contrary, the Magistrate expressly stated.

> ". . . I *do not know* whether Wolf would have agreed to a settlement if it had known of the [document] request."

(A10).

Thus, far from finding that Wolf relied upon the provision in the protective order regarding the return or de-

struction of its documents in settling its litigation with EDAP, the Magistrate expressly stated that she *did not know* if Wolf, in fact, relied upon that provision.

Accordingly, Wolf's arguments in its Opposition to EDAP's Petition for a Writ of Certiorari rest upon false premises, and they do not deserve credence by this Court.

CONCLUSION

Petitioner EDAP respectfully requests this Court to grant its Petition for a Writ of Certiorari to the Court of Appeals for the Federal Circuit.

Respectfully submitted,

A. SIDNEY KATZ
Counsel of Record
JEROLD B. SCHNAYER
SUZANNE HINES
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner

Dated: July 19, 1991